

## **CITY OF WALKER BUSINESS SUBSIDY POLICY**

### **I. Purpose**

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes 116J.993 through 116J.995 (the "Act"), and are hereby established in order to evaluate requests for business subsidies as defined by the Act. The City of Walker hereby adopts the definitions in the Act for application in the policy. The term "Local Governmental Unit" means the City of Walker, Cass County.

The City of Walker shall consider subsidies for projects that serve to accomplish the Local Governmental Units and County's goals for economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (those providing stable employment, benefits) and the attraction, retention, and expansion of business and housing options in the City of Walker.

The City of Walker reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, demand for public services in relation to the potential benefits resulting from the project, and current financial conditions such as levy limits and public service priorities within annual Local Governmental Units operating budget. Meeting policy criteria does not guarantee the award of a subsidy to the project. Approval or denial of a business subsidy to one project is not intended to set precedent for approval or denial of another project.

"JOBZ Business Subsidy" means tax exemptions or tax credits available to a qualified business located in a job Zone under the Job Opportunity Building Zone (JOBZ) statute M.S. 469.310-469.320.

The City of Walker reserves the right to modify this policy and may deviate from it by documenting the reasons in writing and including the documented reasons with its next report to the Department of Employment and Economic Development, as part of the JOBZ requirements.

### **II. Goals, Objectives and Minimum Requirements**

It is the City of Walker's intent to further the following goals and objectives in granting business subsidies with minimum requirements as set forth:

- A. All projects must be consistent with Cass County's Comprehensive Plan, and any local community development and comprehensive plans.
- B. Before a subsidy is considered for any project or property, it must be in compliance with all Cass County ordinances, and The City of Walker's ordinances, be current on all tax payments and in compliance with any other legal or financial obligations.
- C. The fundamental purpose of a subsidy in the City of Walker is to encourage desirable development and/or redevelopment that would not otherwise occur "but for" the assistance provided through a business subsidy.
- D. The City of Walker will consider the impact of the project on public services, including but not limited to pollution, traffic and the need for additional law enforcement.
- E. If the form of business subsidy considered and/or granted is tax increment financing (TIF), the TIF Policy of record of the Cass County Board of Commissioners shall apply in all respects.
- F. A written application on a form provided by the City of Walker shall be completed for each subsidy request. The City of Walker will make the final decision in the granting of a business subsidy after full consideration of any and all recommendations and public comment.

- G. Grantee must enter into a business subsidy agreement with the City of Walker that sets forth the criteria established as the basis of the subsidy, statutory reporting and other requirements, including the recourse for failing to meet the criteria and the payment of any business subsidy fees.
- H. The Local Unit of Government agrees select qualified businesses that shall not to compete with or displace local businesses currently operating within the sub-zone community.

### III. Criteria for consideration of business subsidy

The City of Walker requires that the proposed project meet one or more of the following criteria in order to be considered for the award of a business subsidy:

#### A. Job and wage goals

The City of Walker and the Cass County Board of Commissioners believes the goal of creation of "living wage" jobs is of the highest priority in the granting of a business subsidy, at the same time recognizing that not all projects assisted with subsidies derive their public purpose and importance solely by job creation. In evaluating job and wage goals for a project under consideration for a business subsidy, priorities will apply as follows:

1. The number of created or retained jobs.
2. The setting of wage and job goals shall mean a job which pays an average wage equal to or greater than 1.75 times, (\$9.01) the federally mandated minimum wage.
3. Jobs including employee benefits such as health insurance will be given a priority in considering a business subsidy.
4. If a particular project does not involve the creation of jobs and/or any specific job or wage goals, but meets other criteria, approval of the project shall only commence after the conduct of a public hearing held for comment on the specific project.
5. In cases where the objective is the retention of existing jobs, the project proposal must identify the number and provide evidence of the potential loss of specific jobs. (Retention alone does not qualify a business for a JOBZ approval).
6. The applicant must provide data on new job and wage goals with payroll projections based on the minimum net number of direct full-time equivalent jobs to be created or retained by the proposed project after two years. The minimum annual net payroll including employer contributions for health benefits to be generated at the second reporting period.

#### C. General factors for project prioritization

The City of Walker considers projects involving one or more the following to be of the highest priority:

1. Projects with low environment impact and/or those that promote redevelopment objectives and removal of blight, including pollution cleanup.
2. Projects that encourage full utilization of existing or planned infrastructure improvements.
3. Retail business will not be considered for a business subsidy unless the project creates substantial quality employment and increased tax base.
4. Projects likely to result in additional or "spin-off" development in the community.
5. Projects that improve access to services for Cass County residents.
6. Projects that encourage economic and commercial diversity within the community.

#### D. Criteria application to a specific project

1. The City of Walker may consider and/or apply the requirements of any other business subsidy applied for or received from a grantor other than the County.
2. If the business subsidy is a guaranty, the amount of the business subsidy may be valued at the principal amount of the guaranteed payment obligation.
3. If the business subsidy is real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the County.
4. If the business subsidy is received over time, the City of Walker and County may value the subsidy at its present value using a discount rate equal to an interest rate that the County determines is fair and reasonable under the circumstances.

5. The City of Walker prohibits the resale (land speculation) of JOBZ Zone parcels for profit by the subsidy recipient, as outlined in the business subsidy agreement.
6. As used herein, "benefit date", means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either when the improvements are finished for the entire project; or when a business occupies the property.

#### IV. BUSINESS SUBSIDY REQUIREMENTS

- A. Any time the Local Unit of Government provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage goals, job goals and other criteria set forth in this policy. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993 - 116J.995 and the JOBZ statute M.S. §§ 469.310 - 469.320, the JOBZ statute shall control.
- B. The approved business must create and retain for the period of the JobZone duration or until December 31, 2015, whichever is shorter.
- C. It is expected that all business subsidy agreements shall have a quantified target for the number of employees to be hired.
- D. It is expected that "living wage jobs" shall mean a job which pays an average wage equal to or greater than 1.75 times (as stated before) the federally mandated minimum wage.
- E. The City of Walker shall require all businesses receiving a business subsidy to comply with the following:
  1. Attend a properly noticed public hearing held by the *City of Walker* as provided by M.S. § 116J.994. The purpose of the hearing shall be to identify define the criteria that the qualified business or recipient will meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business. As provided by M.S. 116J.994, Subd. 5., a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing; and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.
  2. If the business is qualified to receive JOBZ tax benefits, the business shall agree to continue operations in the jurisdiction where the subsidy is used for the duration of the job zone term.
  3. If the qualified business or recipient is a relocating business, from another Minnesota non-JOBZ Zone location, the business shall be required to enter into a binding written "Relocation Agreement" between the qualified business and the commissioner of DEED pledging that the qualified relocating business will either:
    - (a) increase full-time for full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, *or*
    - (b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.



**AMENDMENT TO  
RESOLUTION #12-2004 BUSINESS SUBSIDY POLICY**

**CITY OF WALKER  
RESOLUTION 27-2006**

To choose to amend its Resolution #12-2004

**"Business Subsidy Policy and Criteria"**  
Originally passed on March 1, 2004

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**BE IT RESOLVED** by the Walker City Council of the City of Walker, County of Cass, State of Minnesota that it shall adopt the following amendment to the Business Subsidy Policy and Criteria:

This Policy Amendment is adopted in compliance with M.S. § 116J.994 Subd.2. A copy of the policy and this amendment shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

Any time the City of Walker provides a business subsidy to a Qualified Business or Recipient, that business is subject to wage levels, job creation and other criteria, as set forth in this policy and specified in the Business Subsidy Agreement made with the local governmental unit. In the event of a conflict between the requirements of the Business Subsidy statute M.S. § § 116J.993 - 116J.995 and the JOBZ statute M.S. § § 469.310 - 469.320, the JOBZ statute shall supersede.

**I. Wage Level Requirement**

The qualified business, in the case of a JOBZ business subsidy, approved after the date of July 1, 2005, shall pay a minimum floor wage of 110% of poverty level. The minimum floor wage shall be for all employees at the qualified JOBZ business. The wage level shall include only non-state mandated employee benefits provided by the employer.

**II. Relocation Requirement**

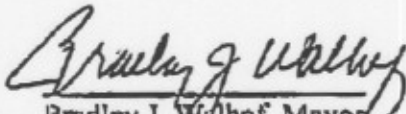
If the qualifying JOBZ business is a relocating business under the definition in JOBZ M.S. § § 469.310 - 469.320, the business shall be required to enter into a binding agreement written "Relocation Agreement" between the qualified business and the commissioner of DEED pledging that the qualified relocating business shall complete the relocation:


(1) Commit to signing a Relocation Agreement with DEED; and

**CHOOSE ONE from 2 or 3:**

- (2) Cease one or more operations or functions at a non-JOBZ Zone and begin performing substantially the same functions inside the City of Walker's Zone; or
- (3) Reduce employment at the non-JOBZ Zone location starting one year before and ending one year after the beginning operations in the City of Walker's Zone where its employees in the Zone are engaged in the same line of business as the employees at the location where it reduced employment; and
- (4) Increase full time or full time equivalent employment in the first full year of operation within the job opportunity building zone by a minimum of five jobs or 20 percent, whichever is greater, measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; and provides for repayment of all tax benefits if these requirements are not met.

Adopted by the Walker City Council this 2, October, 2006.

  
Bradley J. Walhof, Mayor

Attest:   
Terri Bjorklund, Administrator

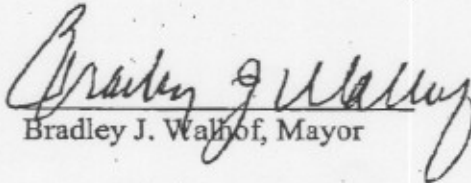
**RESOLUTION # 12-2004  
BUSINESS SUBSIDY POLICY**

**WHEREAS**, the Walker City Council of the City of Walker, County of Cass, State of Minnesota recognizes the need to implement a Business Subsidy Policy for the newly created JOBZ Zone; and

**WHEREAS**, interest in the purchase of property and establishment of qualifying jobs in businesses wishing to locate in the Walker JOBZ Zone has been established; and

**NOW THEREFORE BE IT FURTHER RESOLVED**, that the Walker City Council, of the City of Walker, County of Cass, State of Minnesota does hereby adopt a Business Subsidy Policy.

Adopted this 1<sup>st</sup> day of March 2004.

  
Bradley J. Walhof, Mayor

Attest:   
Stephen J. Michel, Administrator